

§ 1272.2

New business activity means any business activity undertaken, transacted, conducted, or engaged in by a Bank that has not been previously undertaken, transacted, conducted, or engaged in by that Bank, or was previously undertaken, transacted, conducted, or engaged in under materially different terms and conditions, such that it:

- (1) Involves the acceptance of collateral enumerated under §1266.7(a)(4) of this chapter;
- (2) Involves the acceptance of classes of collateral enumerated under §1266.7(b) of this chapter for the first time;
- (3) Entails risks not previously and regularly managed by that Bank, its members, or both, as appropriate; or
- (4) Involves operations not previously undertaken by that Bank.

§ 1272.2 Limitation on Bank authority to undertake new business activities.

No Bank shall undertake any new business activity except in accordance with the procedures set forth in this part.

§ 1272.3 New business activity notice requirement.

At least sixty days prior to undertaking a new business activity, except as provided in §1272.4(b), a Bank shall submit to the FHFA a written notice containing the following information:

(a) *General requirements.* Except as provided in paragraph (b) of this section, a Bank's notice of new business activity shall include:

- (1) An opinion of counsel citing the statutory, regulatory, or other legal authority for the new business activity;
- (2) A good faith estimate of the anticipated dollar volume of the activity over the short-and long-term;
- (3) A full description of:
 - (i) The purpose and operation of the proposed activity;
 - (ii) The market targeted by the activity;
 - (iii) The delivery system for the activity; and
 - (iv) The effect of the activity on the housing, or relevant community lending, market;

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(4) A demonstration of the Bank's capacity, through staff, or contractors employed by the Bank, sufficiency of experience and expertise, to safely administer and manage the risks associated with the new activity;

(5) An assessment of the risks associated with the activity, including the Bank's ability to manage these risks and the Bank's ability to manage the risks associated with increasing volumes of the new activity; and

(6) The criteria that the Bank will use to determine the eligibility of its members or housing associates to participate in the new activity.

(b) *New collateral activities.* If a proposed new business activity relates to the acceptance of collateral under §1266.7 of this chapter, a Bank's notice of new business activity shall include:

(1) A description of the classes or amounts of collateral proposed to be accepted by the Bank;

(2) A copy of the Bank's member products policy, adopted pursuant to §917.4 of this title;

(3) A copy of the Bank's procedures for determining the value of the collateral in question, established pursuant to §1266.10 of this chapter; and

(4) A demonstration of the Bank's capacity, personnel, technology, experience and expertise to value, discount and manage the risks associated with the collateral in question.

[65 FR 44431, July 18, 2000, as amended at 67 FR 12854, Mar. 20, 2002]

§ 1272.4 Commencement of new business activities.

A Bank may commence a new business activity:

(a) Sixty days after receipt by the FHFA of the notice of new business activity under §1272.3, if the FHFA has not issued to the Bank a notice as described in §1272.5(a)(1) through (4);

(b) In the case of the acceptance of collateral enumerated under §1266.7(a)(4) of this chapter, immediately upon receipt by the FHFA of a notice of new business activity under §1272.3; or

(c) Immediately upon issuance by the FHFA of a letter of approval under §1272.6.